

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2894-03
Bill No.: SB 990
Subject: Licenses - Professional; Utilities; Business and Commerce
Type: Original
Date: January 21, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Missouri High Voltage Electrical Industry Licensing Board Fund	\$0	\$125,995	(\$115,789)
Missouri Low Voltage Electrical Industry Licensing Board Fund	\$0	\$125,995	(\$115,789)
PR Fees Fund	(\$30,891)	\$30,891	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$30,891)	\$282,881	(\$231,578)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Public Defender, Office of the Governor, Office of State Courts Administrator, Missouri Senate, Department of Public Safety - Missouri State Highway Patrol, Office of State Treasurer and Department of Revenue** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate that the proposal will not significantly alter its caseload. However, if other similar bills also pass, there will be a fiscal impact. If there are more cases or the cases are more complex, there could be a fiscal impact.

Officials from the **Office of Prosecution Services** assume any costs associated with this proposal could be absorbed within current funding levels.

Officials from the **Office of the Secretary of State (SOS)** state this proposal establishes a licensing board to regulate electrical contractors. The Division of Professional Registration and the Missouri Electrical Industry Licensing Board Fund could promulgate rules to enact this proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Department could require as many as 26 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are

ASSUMPTION (continued)

published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,599 [(26 pp x \$27) + (39 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Attorney General (AGO)** assume representing the Missouri High Voltage Electrical Industry Licensing Board and the Missouri Low Voltage Electrical Industry Licensing Board would require 0.5 (part-time) Assistant Attorney General II. The AGO assumes salary and fringe benefits related to this position would cost General Revenue \$22,193 in FY 05; \$27,297 in FY 06; and \$27,980 in FY 07.

Oversight assumes the AGO will be reimbursed for services from the Missouri High Voltage Electrical Industry Licensing Board and the Missouri Low Voltage Electrical Industry Licensing Board.

Officials from the **Department of Economic Development (DED) - Division of Professional Registration (PR)** state provide the following assumptions related to this proposal:

Based on an estimate from an internet search for electrical contractors, it is estimated there are approximately 1,526 individuals in the state of Missouri that will be required to be licensed. However, there is no distinction between high voltage and low voltage contractors, so for purposes of this fiscal note, the licensee population has been divided in half between the disciplines (High Voltage licensees = 763; Low Voltage licensees = 763). DED-PR assumes a fee of \$400 will be paid for all categories of licensure with biennial renewal. DED-PR estimates a 3% growth rate and assumes licensure begins in FY 06, resulting in revenue to the High Voltage Electrical Industry Licensing Fund and the Missouri Low Voltage Electrical Industry Fund in FY 06 of \$305,200 each. Revenues for FY 07 are estimated to be \$3,434 each.

DED-PR assumes all fees collected and all expenses would be deposited into and paid out of the Missouri High Voltage Electrical Industry Licensing Fund and Missouri Low Voltage Electrical Industry Licensing Fund.. DED-PR notes expenses occurring prior to an appropriation (FY 05)

ASSUMPTION (continued)

would be borrowed from another fund within Professional Registration and paid back in FY 06 or FY 07.

DED-PR assumes implementation of the proposal will require hiring an additional 3.5 FTE in FY 06, as follows: Principal Assistant - 1 FTE at \$53,484 (0.5 FTE dedicated to each the High Voltage and Low Voltage licensing agencies) to serve as the senior executive officers of the agencies, Licensure Technician II (2 FTE at \$25,092) to provide technical support, process applications for licensure and respond to any inquiries related to the licensure law or rules & regulations, and an Account Clerk II (0.5 FTE at \$23,784) to provide support for DED-PR Central Accounting and Central Cash Receiving Room. DED-PR assumes rental space will be needed for these additional FTE at an annual cost of approximately \$6,975.

DED-PR assumes the seven (7) member boards would meet four (4) times per year for two (2) days per meeting, in Jefferson City. DED-PR notes the Principal Assistant, Licensure Technician and an Attorney General representative will also attend the meeting. DED-PR assumes there would be four (4) meetings in FY 05 to promulgate rules and regulations. It is estimated that each board member will receive \$50 per diem for each day conducting board business.

DED-PR assumes twenty-three (23) complaints would be received each year and would require, on average, five hours each to complete. DED-PR estimates 15% of these complaints (4) will require field investigations, each needing 30 hours of field work and one night's lodging. Travel expenses for the investigation are estimated at \$5,360 annually. DED-PR assumes complaints and investigations would not start until FY 07.

DED-PR assumes there will be a cost associated with needing the services of the Attorney General's Office (AGO). DED-PR estimates 25% of investigations (1) would be forwarded to the AGO for further action. Assuming \$5,400 cost per case, DED-PR estimates \$5,400 annually beginning in FY 07. DED-PR also estimates the AGO would provide approximately 60 hours of assistance with rules, opinions and meetings per year. Assuming an hourly rate of \$60.87, these costs are estimated at \$3,652 yearly beginning in FY 05.

DED-PR assumes printing and postage costs will be incurred in the first year for statute and rule mailings and for startup printing of rules, applications, letterhead and envelopes. DED-PR estimates printing and postage costs at \$6.25 per licensee in the first year, for a total cost of \$9,538. Subsequent years' printing and postage costs are expected to be \$2,500 annually, based on a similarly-sized board.

ASSUMPTION (continued)

DED-PR assumes licensed electrical contractors will represent 0.50% of DED-PR's overhead. As such, the board will be required to reimburse the Division and the Department of Economic Development for its share of administrative overhead costs, \$12,633 per annum. DED-PR assumes these costs will begin in FY 05.

For fiscal note purposes only, **Oversight** assumes the following:

- 1) The \$12,633 in administrative costs will generally offset the required reimbursement of other funds, and will not be used for the new FTE.
- 2) Rental space will not be required for two additional full time FTE; the other positions are .5 FTE. Additional furniture and equipment will not be required for the .5 FTE positions.
- 3) **Oversight** has, for fiscal note purposes only, changed the starting salary for the two (2) Licensure Technician IIs and the Account Clerk II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.
- 4) Fees have been adjusted to reflect an amount needed to cover operations of the board. Biennial fees of \$350 result in revenue of \$267,050 for each the High Voltage and Low Voltage Electrical Industry Licensing Board Funds for FY 06 and \$4,025 for each fund for FY 07. Sufficient fee income should be generated during each biennial fee cycle to cover expenses of operations during the second year of the cycle.

DED-PR assumes a two 0.5 Principal Assistants will be needed to serve as the senior executive officers.

This proposal will increase Total State Revenue.

FISCAL IMPACT - State Government

FY 2005
 (10 Mo.)

FY 2006

FY 2007

**MISSOURI HIGH VOLTAGE
 ELECTRICAL INDUSTRY
 LICENSING BOARD FUND**

Income - DED-PR

Licensure Fees/Renewals

\$0

\$267,050

\$4,025

Costs - DED-PR

Transfers to PR Fees Fund

\$0

(\$141,055)

(\$119,814)

**ESTIMATED NET EFFECT ON
 MISSOURI HIGH VOLTAGE
 ELECTRICAL INDUSTRY
 LICENSING BOARD FUND**

\$0

\$125,995

(\$115,789)

**MISSOURI LOW VOLTAGE
 ELECTRICAL INDUSTRY
 LICENSING BOARD FUND**

Income - DED-PR

Licensure Fees/Renewals

\$0

\$267,050

\$4,025

Costs - DED-PR

Transfers to PR Fees Fund

\$0

(\$141,055)

(\$119,814)

**ESTIMATED NET EFFECT ON
 MISSOURI LOW VOLTAGE
 ELECTRICAL INDUSTRY
 LICENSING BOARD FUND**

\$125,995

(\$115,789)

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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PR FEES FUND

Income - DED-PR

Transfer from Missouri High Voltage Electrical Industry Licensing Board Fund	\$0	\$141,055	\$119,814
Transfer from Missouri Low Voltage Electrical Industry Licensing Board Fund	<u>\$0</u>	<u>\$141,055</u>	<u>\$119,814</u>
Total <u>Income</u> - DED-PR	<u>\$0</u>	<u>\$282,110</u>	<u>\$239,628</u>

Costs - DED-PR

Personal Service (3.5 FTE)	\$0	(\$114,798)	(\$117,667)
Fringe Benefits	\$0	(\$47,526)	(\$48,714)
Expense and Equipment	(\$23,587)	(\$81,591)	(\$55,143)
AGO Costs	<u>(\$7,304)</u>	<u>(\$7,304)</u>	<u>(\$18,104)</u>
Total <u>Costs</u> - DED-PR	<u>(\$30,891)</u>	<u>(\$251,219)</u>	<u>(\$239,628)</u>

**ESTIMATED NET EFFECT ON PR
FEES FUND**

<u>(\$30,891)</u>	<u>\$30,891</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposal may fiscally impact small electrical businesses or small businesses that employ electrical contractors.

DESCRIPTION

This proposal creates both a high and a low voltage licensing board relating to the electrical industry to be located within the Division of Professional Registration. Each board shall have seven members who are appointed by the Governor and confirmed by the Senate. Members of each board shall serve four- year staggered terms with an eight-year term limit. Each board will

DESCRIPTION (continued)

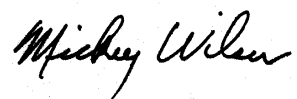
meet at least four times annually, and members may be reimbursed for expenses and receive compensation of up to \$50 per day.

The proposal also establishes state licensing requirements for low and high voltage electrical contractors. Contractors practicing prior to March 1, 2004, may apply for a waiver of requirements under some circumstances. Other practicing contractors may apply for a two-year limited, non-renewable license while they await passing a state examination. The Division may establish licensing fees to cover administrative costs and may develop reciprocal licensing agreements with other states. Each respective board may file complaints against contractors with the Administrative Hearing Commission and suspend or revoke licenses if warranted by the Commission's findings. Violators of licensing requirements are guilty of a Class B misdemeanor.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of the Governor
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Economic Development -
 Division of Professional Registration
Department of Revenue
Department of Public Safety -
 Missouri State Highway Patrol
Office of Prosecution Services
Missouri Senate
Office of Secretary of State
Office of State Public Defender
Office of State Treasurer



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